

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

DIRECT GROUP NORTH AMERICA, INC.,

Plaintiff-Counterclaim Defendant,

v.

TRANCOS, INC., COREGMEDIA ASSOCIATES, INC.,
BRIAN NELSON, KEVIN BRODY, DAVID MACIEL and
CRAIG BOUGAS,

Defendants-Counterclaim Plaintiffs.

07 Cv 07161 (LAK)

REPLY TO COUNTERCLAIM AND AFFIRMATIVE DEFENSES

Plaintiff-Counterclaim Defendant, Bertelsmann Direct North America, Inc. (“BDNA”), formerly known as Direct Group North America, Inc., by its attorneys Hanly Conroy Bierstein Sheridan Fisher & Hayes, LLP, replies to the Counterclaim herein as follows:

1. In response to paragraph 20 of the Counterclaim, admits that on or about February 3, 2006, Trancos Inc. (“Trancos”) and BMG Columbia House, Inc., entered into a contract and respectfully refers the Court to that contract for the terms thereof.
2. In response to paragraph 21 of the Counterclaim, BDNA denies the allegations thereof and respectfully refers the Court to the contract for the terms thereof.
3. In response to paragraph 22 of the Counterclaim, BDNA denies the allegations except admits that Trancos did send purported invoices totaling \$477,919.75 and that \$439,400.50 of those invoices remain unpaid due to Defendants’ improper actions.
4. In response to paragraph 23 of the Counterclaim, BDNA denies the

allegations thereof.

5. In response to paragraph 24 of the Counterclaim, BDNA denies the allegations thereof.

6. In response to paragraph 25 of the Counterclaim, BDNA denies the allegations thereof.

7. In response to paragraph 26 of the Counterclaim, BDNA denies the allegations thereof.

8. In response to paragraph 27 of the Counterclaim, BDNA denies the allegations thereof.

AS AND FOR A FIRST AFFIRMATIVE DEFENSE

9. The Counterclaim is barred herein fails to state a claim upon which relief can be granted.

AS AND FOR A SECOND AFFIRMATIVE DEFENSE

10. The Counterclaim is barred by the doctrine of foreseeability.

AS AND FOR A THIRD AFFIRMATIVE DEFENSE

11. Trancos breached its contract with BDNA.

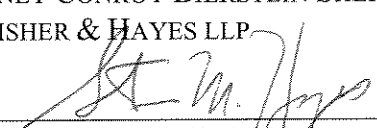
AS AND FOR A FOURTH AFFIRMATIVE DEFENSE

12. Trancos' claim is barred, in whole or in part, by the principles or doctrines of unclean hands.

WHEREFORE, Plaintiff-Counterclaim Defendant, seeks judgment dismissing the complaint in its entirety, and awarding attorney's fees, costs and expenses and such other or further relief as the court may deem just and proper.

Dated: New York, New York
November 30, 2007

HANLY CONROY BIERSTEIN SHERIDAN
FISHER & HAYES LLP



Steven M. Hayes (SH-2926)
112 Madison Avenue
New York, New York 10016
(212) 784-6414

*Attorneys for Plaintiff-Counterclaim
Defendant*